

Tax regulation as a tool for socio-economic regulation of the economy

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Abstract. The direction of the development vector of the state itself depends on the effectiveness of state regulation of tax policy, since tax regulation is an effective tool for rationalizing the use of resource potential, as the main problem of the economy, through the introduction of taxes in the area of resource use in economic or other activities. Thus, tax regulation is an indirect, targeted impact on the activities of business entities to influence the economic performance of the country. Tax regulation is one of the state's instruments that influence the country's economy, based on its goals, prospects and economic concept.

1 Introduction

In the history of mankind, there have been various economic concepts that implied the participation of the state in the “life” of the economy to one degree or another. State participation in the economy refers to government intervention in economic processes: the formation of supply and demand, cash flow, increasing or decreasing inflation, mainly through taxation.

2 Research methodology

The methods of this research are the analysis and processing of information obtained from the study of scientific articles, books and other works.

3 Results and Discussions

Thus, the oldest economic school is the school of mercantilism. Followers of this concept equated wealth with money and believed that the more money there is in the country, the more developed the economy is [1]. This concept has common features with the foreign policy of protectionism, which seeks to protect national producers from external competitors and develop national production by introducing customs restrictions. According to the ideology of this school, it is necessary to produce and sell goods more than to acquire them. Followers of the school of mercantilism are Thomas Men (1571-1641) and Antois de Montchretien (1575-1621) [4].

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The next school that left a significant mark in the history of economic theory is the classical school of political economy of Adam Smith.

According to the concept of political economy, the state should not interfere in any way in the economic processes of the country; supply and demand, equilibrium price and other economic processes should self-regulate in natural market conditions. The main element in this school was the “invisible hand of the market”, the free setting of prices in market conditions. Before the emergence of the concept of liberalism, a system prevailed in which the state necessarily intervened in economic processes and regulated them; it was believed that this was the only way to form national wealth. But Adam Smith laid the foundation for the idea that implied the successful development of the economy and the accumulation of wealth without the participation of the state.

The main source of wealth growth in this concept is the sphere of production, which is still relevant today.

This school was widespread in the 18th century. The application of the policy of liberalism led to a major economic crisis and experience has shown that the economy cannot function effectively without the participation of the state, since the market begins to develop spontaneously, there is an oversaturation of the market with goods, too high a monopolization of production, and a disproportion between the production and sale of goods. All this is a consequence of the absence of any regulation of the economy by the state.

This concept was replaced by the school of John Keynes, which laid the foundation for a very effective system of interaction between the economy and the state [3].

This theory implies moderate government regulation of the economy, when the state moderately regulates the demand for goods by regulating the cash and non-cash money supply. Thanks to such regulation, the state influences inflation, employment and other socio-economic processes. The concept of John Keynes was able to “pull” the world economy out of the crisis, and his theory was proclaimed a “Keynesian revolution in political economy” [6].

Thus, the history of mankind and world experience have shown that the state must necessarily take part in economic processes using various tools, including through tax regulation. For effective state regulation of the tax system and economy, it is necessary to reduce tax rates, introduce tax breaks and keep the tax burden moderate, otherwise enterprises will evade paying taxes and fees, since it is not profitable for them to make large contributions to the budget. In addition, as a result of an increase in the tax burden, prices for goods and services will increase, since manufacturers must transfer all incurred costs and expenses to the cost of their products. According to the universal law of supply and demand, an increase in the price of goods and services leads to a decrease in demand for them. The demand curve is shown in Fig. 1.

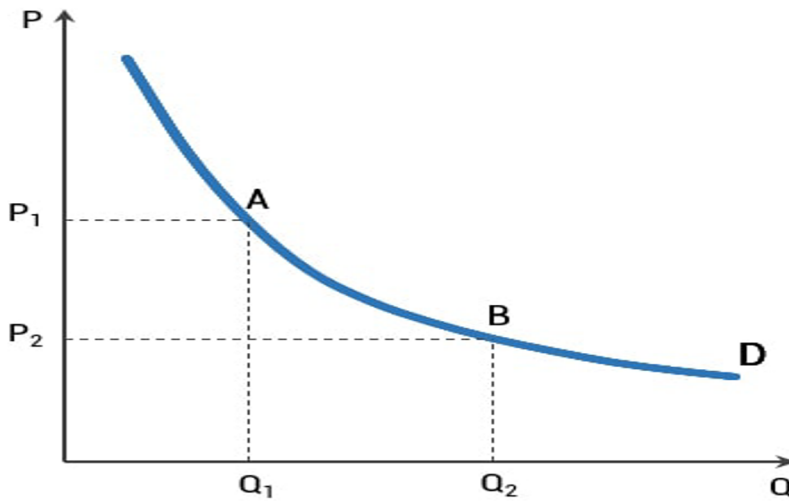


Fig. 1. Demand curve. Law of Demand

From the data in the graph it is clear that the demand curve, depending on the increase in price (P), decreases, since, as already noted, the increase in sales (Q) is inversely proportional to the increase in price (P) for a product or service [2].

This law of demand in economic theory is justified by the following arguments.

1. Law of diminishing marginal utility. According to this law, the marginal utility of each next consumed good is less than that of the previous one; a rational consumer will increase the consumption of this good only in conditions of a decrease in price.

2. Income effect. Due to a decrease in price, the consumer can purchase more of the good, provided that income does not change and, conversely, an increase in price leads to a decrease in consumption.

3. The substitution effect, according to which an increase in the price of a product that has a substitute leads to a transition to a substitute product and, as a result, the demand for the product decreases, and the demand for the substitute increases.

4. According to practical research, the majority of consumers, due to psycho-emotional characteristics, tend to purchase cheaper goods.

Thus, increased tax rates can have a negative impact not only on economic indicators, but also on the general well-being of the population, since increased prices for goods and services entail the inability of the population to satisfy their needs.

It should be noted that tax regulation has a direct impact on the social sphere, since the economic and social spheres are inextricably linked.

The main goal of a market economy is to build a strong society in social terms. One of the tools for achieving this goal is to increase the quality requirements for the targeted allocation of funds from the federal budget, which is formed mainly through taxes and fees. With a rational distribution of the federal budget, a high level of social development can be achieved.

Throughout the history of mankind, there has been an economic problem that remains unresolved until modern times; this is the problem of limited resources [3].

This problem is a basic problem of economic theory and there is currently no solution to it: experts and scientists argue that it is impossible to satisfy all human needs, since human "appetite" is growing rapidly and endlessly, so it is necessary to find alternative options for the effective use of the resources available on the planet. In other words, there are enough resources on Earth, but their irrational use leads to the fact that certain segments of the

population do not have enough of them, while others consume too much of them, often without any need.

In modern society, where people and countries are united in various institutions and are able to agree among themselves, it is possible to develop a common state or even global strategy in this area and prevent the worsening of this problem.

Thus, some tax policy instruments purposefully prevent excessive consumption of the Earth's resources, since the state has introduced the following types of taxes: -mineral extraction tax; -water tax; -tax on the production of hydrocarbons; -tax on additional income from the production of hydrocarbons; - tax on the use of objects of flora and fauna. In addition to these taxes, the state limits manufacturers who harm the environment with various fines and sanctions [4]. The goal of social policy is to constantly improve people's living standards, reduce social inequality, and ensure universal access to basic social benefits, primarily to quality education, healthcare and social services.

Social policy is usually implemented through regional and local authorities, and is financed from the federal budget. When forming and implementing social policy, social priority issues inevitably arise, that is, social tasks that society considers the most relevant, the most urgent and require a priority solution at a given stage of development. The objectives of social policy include: -stimulating economic growth and subordinating production to the interests of consumption, -strengthening labor activity and entrepreneurial development, -providing people with an adequate standard of living and social protection, - protection of cultural and natural heritage, national identity.

To effectively carry out its regulatory functions, the state has a strong influence on national legislation, national budgets, tax and customs systems. Fulfilling social obligations to the people has always been one of the key priorities of the federal budget. Without any doubt, the priorities of the approved budget for 2021-2023. became national development plans for the country and social obligations to the population.

The COVID-19 pandemic has forced increased federal spending on social security. The main task before the state and the president of the country was to direct part of the funds from other sectors to healthcare and overcome the pandemic, as well as to fulfill all social obligations at the expense of the state, not the people. Social priorities of the federal budget for the near future are: -support for social economy; -support for public transport; - mortgage support for agricultural workers; -fulfillment of social obligations; - implementation of national development goals. Also, the following measures are being taken towards social support: - the burden on business is reduced, as insurance premiums for small and medium-sized businesses are halved; -expenditures on education are increasing (increasing budget places in universities, the number of schools); - healthcare costs are increasing, and salaries of healthcare workers are also increasing [5].

The expenses of the federal budget adopted for 2021-2023 are clear. (Law on the federal budget for 2021-2023 dated December 8, 2020 N 385-FZ), for social support can be seen in the diagram.

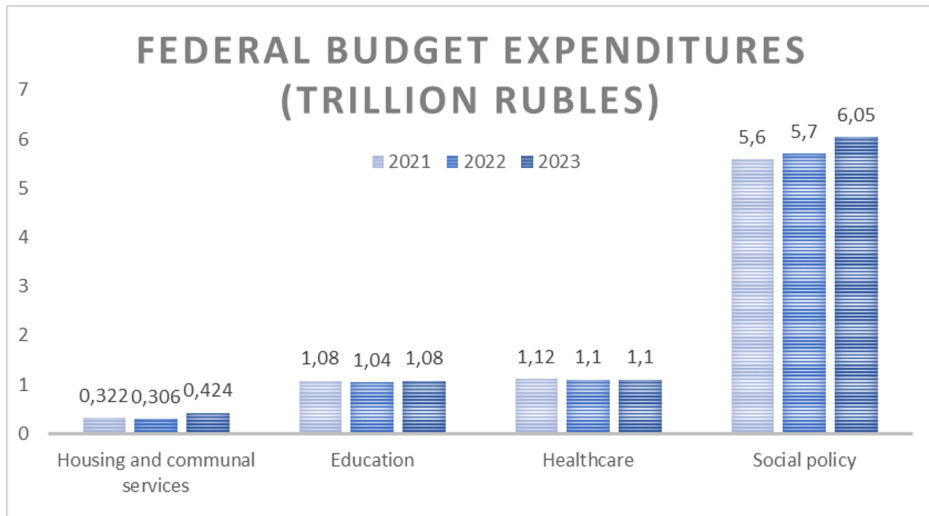


Fig. 2. Federal budget expenditures for 2021-2023.

From the data in the diagram it is clear that the government's main priority is spending on social policy. Not only are they an order of magnitude higher than other social expenditures, but they also tend to grow. Thus, from the above it follows that tax regulation has a significant impact not only on the economic sphere, but also on the social one, since they are all inextricably linked and closely interact. Taxation in the modern world performs more than just the function of accumulating funds [6]. The tax mechanism affects all aspects of the life of the state, is capable of influencing the economy at the macro level, as well as regulating its individual sectors. Thus, with the help of tax regulation, the state can attract investors, stimulate or restrain foreign investment, increase imports or develop national production through a policy of protectionism.

Customs restrictions, increased rates for non-residents of the country, additional reporting for foreign companies - these are all tools for tax regulation of the economy. Tax mechanism – ways and methods by which the goals of tax policy are achieved. The entity through which this process is ensured is, first of all, the state represented by the competent authorized bodies. Business entities also, to some extent, act as subjects of tax regulation when they go to court to challenge some of the illegal measures applied to them by the state as a result of the implementation of tax policy. This participation of an organization or individual in the mentioned processes is an active form of participation of an economic entity in tax regulation [4]. The object of tax regulation is the monetary resources of society and its individual representatives. Tax policy directly affects the financial results of an organization. The taxation system directly affects all aspects of the enterprise's activities.

The appropriate taxation system that an enterprise applies is reflected in the financial results of its activities, since the organization transfers tax payments, acts as a tax agent, pays pension and insurance contributions, which together can constitute a significant part of the income or profit of the enterprise. Therefore, the correct determination of a taxation system that is suitable for itself, and its correct application, is an important factor for an organization when striving to improve the performance indicators of its activities.

The problem of objective analysis of existing taxation systems requires a serious approach. There are two types of tax regulation: direct tax regulation and indirect [3]. Direct tax regulation is carried out by the state through instruments of immediate (direct) influence on the activities of business entities and on the financial results of the organization. These instruments include the provision of tax benefits, various deductions and a large number of direct taxes: corporate income tax, personal income tax, property tax

of an organization or individuals, etc. Indirect or indirect tax regulation occurs through the indirect impact of legislation or indirect actions of authorized bodies on business entities.

The tax regulation mechanism performs the following two global functions [7]: - ensures the flow of funds into the country's budget in sufficient quantities to carry out government functions (socio-economic, political and spiritual); - able to "pull" the economy out of depression when choosing the appropriate tax policy. The tax regulation mechanism is carried out by using the following methods: -planning; -monitoring; -control; -control; -forecasting.

Each method is characterized by its own characteristics and stages. Planning and forecasting in the Russian Federation is carried out by the Ministry of Finance of the Russian Federation, and the largest number of management and control functions are assigned to tax authorities within the Federal Tax Service. The structure of the tax authorities consists of tax authorities reporting to the Ministry of Finance and the department of the federal tax service [8].

The Ministry of Finance performs the functions of coordination and control over the activities of the Federal Tax Service and the Federal Customs Service, which are under its jurisdiction, in relation to taxes and fees, collection of customs duties, determining the amount of customs duties, imposing various sanctions, fines, penalties, etc.

The main link in the structure of the Federal Tax Service is the regional Federal Tax Service, which performs the main functions throughout the region: collecting taxes, consulting taxpayers, conducting on-site and desk audits, etc. [9].

The effective functioning of the tax control system requires interaction between tax authorities and government bodies involved in tax legal relations.

Main functions of the Federal Tax Service:

- ensuring compliance with legislation on taxes and fees;
- creating comfortable conditions for taxpayers to fulfill their tax obligations;
- reducing the burden on management and simplifying procedures, creating open communication with business and society;
- strengthening and improving the qualifications of employees;
- optimization of the tasks of tax authorities, taking into account the economic efficiency of their implementation [10].

The tax system of the Russian Federation is distinguished by the variety of taxes levied. According to the method of collection, they are divided into direct (for example, personal income tax) and indirect (VAT, excise taxes, etc.). In total, there are currently 14 taxes in force in the Russian Federation: 9 federal, including state, 3 regional and 2 local.

There are special ways to assess the effectiveness of the activities of tax authorities and the tax administration itself as a whole. One of the most important criteria for assessing efficiency is the amount of taxes collected [11].

The main performance indicators can be determined as follows:

- implementation of the plan for on-site and desk tax audits;
- volume of taxes and fees collected;
- the level of deviation of actual revenues to the federal budget relative to the revenue forecast;
- the level of implementation of budget assignments for tax revenues;
- the totality of pre-trial disputes resolved;
- reducing tax debt;
- positive assessment from taxpayers.

As a result of the reform of the tax system and its gradual improvement, the tax burden is increasingly distributed between individuals and legal entities (mainly represented by small and medium-sized enterprises, as well as individual entrepreneurship).

4 Conclusions

Thus, many aspects of state life depend on the mechanism of tax regulation. With the help of various instruments, tax regulation can change supply and demand in the country, regulate the level of inflation, attract investment, support the national market or stimulate imports. Taxes can influence any socio-economic, political and legal relations.

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